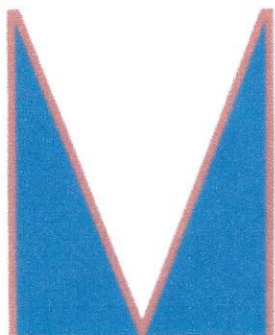


City of Farmington

Independent Accountant's Examination Report
on Applying Agreed-Upon Procedures
For the Period
August 1, 2013 Through July 31, 2014



MARTIN P BROWN CPA

Certified Public Accountant

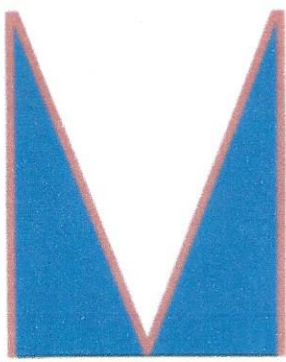
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Independent Accountant's Examination Report

To the Honorable Mayor
And Members of City Council:

I have performed an examination of the City of Farmington pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Farmington for the period August 1, 2013 through July 31, 2014. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures performed are as summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.

11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts, and compliance with the public purpose criteria established by Article II, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual budget for proper authorization, certification, and timely amendment.
15. Recommendations identified by the State Auditor's Office in its Report on Special Investigation of the City of Farmington, dated June 4, 2013 were reviewed to determine if recommendations have been implemented. Included in the review were reviewing the City's payroll tax filings and payroll tax payments.

Based on the performance of the procedures described above, I identified various recommendations for the City. These recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Farmington, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Farmington, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Farmington and other parties to whom the City of Farmington may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Farmington during the course of the examination, and would like to recognize the City management for their efforts to ensure proper accounting for the City. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.

A handwritten signature in blue ink, appearing to read "Martin P. Brown CPA", with a stylized flourish at the end.

Martin P Brown CPA
Certified Public Accountant
November 24, 2014

City of Farmington
Detailed Recommendations
For the Period August 1, 2013 through July 31, 2014

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, a single individual should not have control over each of the following areas for the City:

- (1) Cash: handling, reconciling and recording.
- (2) Receipts: opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll: recordkeeping, preparation and distribution.
- (5) Utilities: billing, collecting, depositing and posting.
- (6) Financial reporting: preparing and reconciling
- (7) Journal entries: preparing and journalizing.

Based on procedures performed, it is noted the Mayor and the City Clerk both have access to the following:

- (1) Deposit tickets, including taking deposits to the bank.
- (2) Receipt books, and the ability to collect receipts.
- (3) Checks, including the ability to sign.
- (4) Payroll records, including approval procedures.
- (5) The City's accounting system.

Recommendation: It is realized segregation of duties is difficult with a limited number of employees and limited resources. However, the City should periodically review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. All financial information should be reviewed and approved by the City Council, and evidenced in the minutes. Independent reviews of reconciliations should be evidenced by signature or initials of the reviewer and date of review. By diligently following internal controls, management can provide an example of good stewardship for the employees and citizens of the City.

(B) Electronic Check Retention: Chapter 554D.114 of the Code of Iowa allows the City to retained cancelled checks in an electric format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for any of its bank accounts.

Recommendation: The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa. The City will review the additional cost.

City of Farmington
Detailed Recommendations
For the Period August 1, 2013 through July 31, 2014

(C) Deposits and Investments: The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. All deposits and investments were in compliance with Chapter 12B.10 of the Code of Iowa during the period reviewed.

Recommendation: The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

(D) City Council Approval of Disbursement: One disbursement, detailed below, was not approved by the City Council:

Vendor	Purpose	Amount
Lowe's	Refrigerator for Indian Lake Park	\$378.00

Per discussion with the Mayor and City Clerk, this was an emergency purchase made April 10, 2014, the same day the claims list for the next City Council meeting had already been completed. It was therefore, omitted from the claims list.

Recommendation: The City Council should ensure all City obligations are presented to the Council for approval.

City of Farmington
Detailed Recommendations
For the Period August 1, 2013 through July 31, 2014

The City of Farmington was incorporated in 1841 and in 2010 had a population of 664. It is located in Van Buren County.

Officials as of report date:

<u>Name:</u>	<u>Title:</u>	<u>Term Expires:</u>
Janet Browning	Mayor	12/31/2015
John Torrance	Councilmember	12/31/2015
Jennifer Hoskin	Councilmember	12/31/2015
William Cline	Councilmember	12/31/2017
Dillon Smith	Councilmember	12/31/2017
David Collins	Councilmember	12/31/2017
Becky Fry	City Clerk	Indefinite

This examination was performed by Martin P Brown, Certified Public Accountant, Martin P Brown CPA.



Martin P Brown CPA